



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2003 Assembly Bill 507

**Assembly Substitute
Amendment 2 (and Assembly
Amendment 2 to Assembly
Substitute Amendment 2)**

Memo published: November 13, 2003

Contact: Laura Rose, Deputy Director (266-9791)

Under current law, a manufacturer may claim an income or franchise tax credit in an amount that is equal to the sales tax and the use tax that the manufacturer paid on fuel and electricity used for manufacturing tangible personal property in this state.

Under Assembly Bill 507, a manufacturer may not claim the credit for taxable years beginning after December 31, 2004. Beginning on January 1, 2005, fuel and electricity sold for use in manufacturing tangible personal property in this state would be exempt from the sales tax and the use tax.

Assembly Substitute Amendment 2 (as amended by Assembly Amendment 2) to Assembly Bill 507 differs from the original bill as follows:

- The sales and use tax exemption for fuel and electricity consumed in manufacturing tangible personal property in this state would begin on January 1, 2006.
- The repeal of the current manufacturer's credit for sales and use taxes paid on fuel and electricity for manufacturing tangible personal property would take effect for tax years beginning on or after January 1, 2006.
- The existing credit carryforwards for manufacturers with \$25,000 or more of total unused credit carryforwards for the first two years after the repeal of the credit would be disallowed. However, these manufacturers would be provided an income and franchise tax deduction over two years for the amount that was added back to income when the credit was first claimed.

- The existing credit carryforwards that manufacturers with less than \$25,000 of total unused credit carryforwards could claim would be 50% of the credits for tax year 2006 and 50% of the credits for tax year 2007.
- A new individual and corporate income tax credit for fuel and electricity used in manufacturing would be effective beginning on or after January 1, 2008. The credit would be nonrefundable and is equal to 100% of total unused manufacturers' sales tax credit carryforwards for fuel and electricity held before the credit was repealed. The credit would be amortized over 15 years, and any unused credit amounts in any one year could be carried forward to subsequent years.
- A manufacturer would have to be certified by the Department of Commerce that it met one of the following four criteria in order to claim the new income tax credit: (1) it retained 100% of full-time jobs that it employed in Wisconsin as of the effective date of the bill; (2) had average annual investments in Wisconsin beginning on January 1, 2003, equal to 2% of the book value of the manufacturer's depreciable assets in Wisconsin plants and facilities; (3) had average annual investments in Wisconsin beginning on January 1, 2003 of \$5 million; or (4) satisfied other criteria developed by the Department of Commerce, in consultation with the Department of Revenue, and promulgated by administrative rule.

Assembly Substitute Amendment 2, and Assembly Amendment 2 to Assembly Substitute Amendment 2, were offered by Representatives Wieckert and Kaufert on November 4, 2003. The Assembly adopted both of these amendments and passed the bill, as amended, on November 4, 2003. The Senate Committee on Job Creation held a public hearing and an executive session on the bill on November 12, 2003, and recommended concurrence in the bill by a vote of Ayes, 4; and Noes, 1, on that same date.

LR:tlu;rv